

**RESOLUTION OF THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF
THE POWER COMPANY, INC.**

A Nevada Corporation

The Shareholders and the Board of Directors of THE POWER COMPANY, INC. (the "Corporation") hereby Resolve, Approve, and Direct that:

1. The Shareholders and Directors of THE POWER COMPANY, INC., have read the attached Criminal Information and Plea Memorandum, and have consulted with counsel and understand the charges and the consequences of a plea of guilty pursuant to the Plea Memorandum;

2. The Shareholders and Directors of THE POWER COMPANY, INC., authorize and direct the Corporation to plead guilty to the felony charge set forth in the Criminal Information, and to enter into and comply with all provisions of the agreement contained in the Plea Memorandum;

3. The Shareholders and Directors of THE POWER COMPANY, INC., hereby authorize and appoint attorney TONY SGRO as the Corporation's attorney-in-fact for the limited purposes of taking these actions and entering a guilty plea to the charge set forth in the Criminal Information on behalf of the Corporation. This authorization and grant of limited power-of-attorney empowers TONY SGRO to take all actions and necessary measures to accomplish the objectives set forth in paragraph 2, above.

Unanimously approved by the Shareholders and the Directors of the Corporation on this 31st day of May 2006.

FILED

May 31 2006

CLERK, U.S. DISTRICT COURT
DISTRICT OF NEVADA

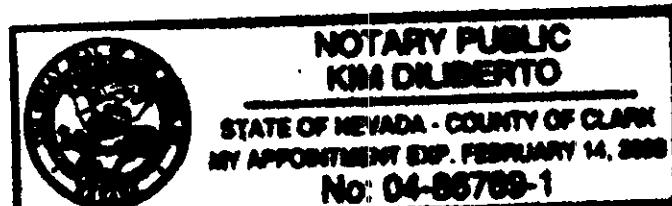
BY _____ DEPUTY

Subscribed and Sworn to before me

this 1 day of June, 2006.

Kim Diliberto
Notary Public in and for Clark County,
State of Nevada

Fredrick Rizzolo
FREDRICK "RICK" RIZZOLO
Bartholomew Rizzolo
BARTHOLOMEW "BART" RIZZOLO



**WAIVER OF NOTICE AND CONSENT TO HOLD
SPECIAL MEETING OF THE SHAREHOLDERS AND BOARD OF
DIRECTORS OF THE POWER COMPANY, INC.**

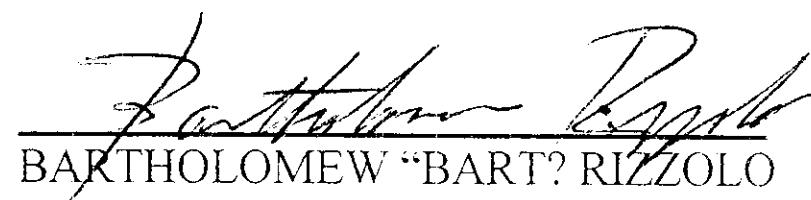
A Nevada Corporation

THE UNDERSIGNED, being all of the Shareholders and Directors of the above-named Nevada corporation,

HEREBY WAIVE NOTICE of the Special Meeting of the Shareholders and Directors of the Corporation and Consent to the holding thereof on the 31st day of May, 2006, for the transaction of any business that may properly be brought before the Board of Directors.



FREDRICK RIZZOLO



BARTHOLOMEW "BART" RIZZOLO

**MINUTES OF SPECIAL MEETING OF THE
SHAREHOLDERS AND BOARD OF DIRECTORS OF
THE POWER COMPANY, INC.**

A Nevada Corporation

A SPECIAL MEETING of the Shareholders and Board of Directors of the above-named Nevada corporation was held on the 31st day of May, 2006, pursuant to a Waiver of Notice and Consent to Hold Special Meeting (the Waiver) signed by all the shareholders and directors of the corporation.

In attendance were all the shareholders and directors of the corporation.

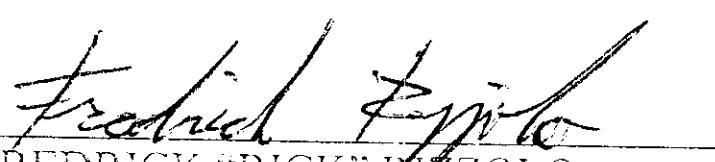
The Secretary of the corporation presided over the meeting and acted as Secretary of the meeting.

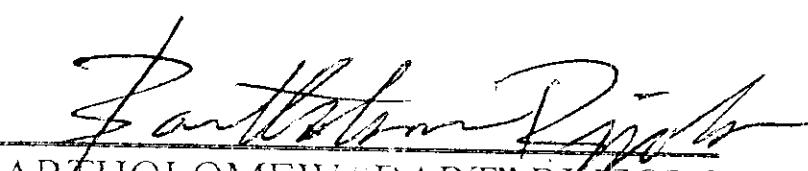
The Secretary presented the Waiver signed by all such persons. On motion duly made, seconded, and unanimously carried, the foregoing Waiver was made a part of the record of the meeting, and the Secretary was authorized and directed to place it into the corporation records immediately preceding the Minutes of this meeting.

The Secretary of the Corporation presented the attached Resolution for consideration by the Shareholders and Board of Directors. The Secretary moved that the Resolution be passed, the motion was seconded, and the Shareholders and the Board unanimously passed the Resolution.

There being no further business, the meeting was adjourned.

DATED: This 31st day May, 2006.


FREDRICK "RICK" RIZZOLO


BARTHOLOMEW "BART" RIZZOLO

US ATTORNEYS OFFICE

003

1 DANIEL G. BOGDEN
2 United States Attorney
3 ERIC JOHNSON
4 Chief, Organized Crime Strike Force
5 TIMOTHY VASQUEZ
6 Assistant United States Attorney
7 District of Nevada
8 Lloyd D. George United States Courthouse
9 333 Las Vegas Boulevard South
10 Suite 5037
11 Las Vegas, Nevada 89101
12 (702) 388-6336/Fax: (702) 388- 6418

8 UNITED STATES DISTRICT COURT
9 DISTRICT OF NEVADA

10 -00-

11 UNITED STATES OF AMERICA,
12 Plaintiff,
13 vs.
14 THE POWER COMPANY, INC.,
15 Defendant Corporation.

} 2:06-cr-186-PMP-PAL
2:05-cr-17-KJD-(RL)

PLEA MEMORANDUM

16
17 The United States, by and through DANIEL G. BOGDEN, United States Attorney, and Eric
18 Johnson, Chief, Organized Crime Strike Force, and Timothy Vasquez, Assistant United States
19 Attorney, District of Nevada, and the Defendant Corporation THE POWER COMPANY, INC., and
20 the Defendant Corporation's attorney, Anthony Sgro, Esq., submit this plea memorandum.

21 I.

22 PLEA AGREEMENT

23 This agreement is contingent on the fact that co-defendants FREDERICK RIZZOLO,
24 ROBERT D'APICE, VINCENT FARACI, JOSEPH MELFI, ALBERT RAPUANO, JOHN DRACE,
25 STEVE ALBERTS, DARREN BRUY, STEVE CRESPI, ROCCO LOMBARDO, MICHAEL
26 LOMONACO, MICHAEL MUSCATO, RALPH POPE, SCOTT SPERONI, JAMES STRESING,
ROBERT UBRIACO, and PAULA McBRIDE successfully enter their guilty pleas together with

US ATTORNEYS OFFICE

004

1 Defendant Corporation, THE POWER COMPANY, INC., and that all pleas are accepted by the
2 Court.¹

3 The United States and the Defendant Corporation have reached the following plea agreement,
4 under which the sentencing guideline calculations are binding on the court pursuant to Rule 11(e)(1)
5 (c) of the Federal Rules of Criminal Procedure:

10

11 ¹ The Court of Appeals for the Ninth Circuit has cautioned that if a plea agreement is part
12 of a package, the trial court must take special care to ensure that the plea is voluntary:

13 Though package deal plea agreements are not per se
14 impermissible, they pose an additional risk of coercion not
15 present when the defendant is dealing with the government
16 alone. See *United States v. Wheat*, 813 F.2d 1399, 1405
17 (9th Cir. 1987), *aff'd*, 486 U.S. 153, 108 S. Ct. 1692, 100 L.
18 Ed.2d 140 (1988); *United States v. Castello*, 724 F.2d 813,
19 814-15 (9th Cir.), cert. denied, 467 U.S. 1254, 104 S. Ct.
20 3540, 82 L. Ed.2d 844 (1984). Quite possibly, one
21 defendant will be happier with the package deal than his
22 codefendant(s); looking out for his own best interests, the
23 lucky one may try to force his codefendant(s) into going
24 along with the deal. The Supreme Court has therefore
25 observed that tying defendants' plea decisions together
26 "might pose a greater danger of inducing a false guilty plea
by skewing the assessment of the risks a defendant must
consider." *Bordenkircher v. Hayes*, 434 U.S. 357, 364 n.
8, 98 S. Ct. 663, 668 n. 8, 54 L. Ed.2d 604 (1978)
(dictum). We, in turn, have recognized that "the trial court
should make a more careful examination of the
voluntariness of a plea when [it might have been] induced
by ... threats or promises" from a third party. *Castello*, 724
F.2d at 815. We make it clear today that, in describing a
plea agreement under Rule 11(e)(2), the prosecutor must
alert the district court to the fact that codefendants are
entering a package deal.

United States v. Caro, 997 F.2d 657, 659-660 (9th Cir. 1992).

1 A. The Plea

2 The Defendant Corporation will plead guilty to Count One of the Information charging
3 conspiracy to participate in an enterprise engaged in racketeering activity in violation of
4 Title 18, United States Code, Section 1962(d).

5 The Defendant Corporation also agrees to forfeit \$4,250,000.00 pursuant to Title 18, United
6 States Code, Section 1963(a)(1), (2), and (3), as set forth in Forfeiture Allegation One of the
7 Information. The \$4,250,000.00 will be paid no later than at the time of the sale of Crazy Horse Too.

8 B. Agreement not to Bring Additional Charges

9 The United States Attorney's Office for the District of Nevada (the "Government" or the
10 "United States") agrees not to bring any additional charge or charges against the Defendant
11 Corporation arising out of the investigation in the District of Nevada that culminated in this Plea
12 Memorandum. However, this agreement does not foreclose prosecution for an act of murder or any
13 conspiracy to commit any such act.

14 C. Sentencing Guideline Calculations

15 The parties agree to the following calculations of the Sentencing Guidelines:

16 1. The Defendant Corporation understands and the government agrees that USSG §
17 2E1.1(a)(1) applies to his conviction on Count One of the Information for violating
18 Title 18, United States Code, Section 1962(d). USSG § 2E1.1(a)(1) provides that the
19 base offense level for a conviction should be 19 unless the "offense level applicable
20 to the underlying crime or racketeering activity" is greater than 19. USSG §
21 2E1.1(a)(2).

22 2. The base offense level for extortion is 18. (USSG § 2B3.1(a)) A two level
23 enhancement applies for an implied or express threat of death or bodily injury or
24 kidnaping. (USSG § 2B3.1(b)(1)) A 6 level enhancement applies for the causing of a
25 permanent or life threatening bodily injury. (USSG § 2B3.1(4)(c)) The extortion
26 racketeering act or acts have a total offense level of 26.

- 1 3. The base offense level for fraud is six. (USSG § 2B1.1(a)(2)). A eight level
2 enhancement applies for total amount of fraud. (USSG § 2B1.1(b)(1)). The fraud
3 racketeering act or acts have a total offense level of 14.
- 4 4. Pursuant to USSG § 3D1, Defendant Corporation's total offense level is 26.
- 5 5. The Defendant Corporation's Criminal History Category will be determined by the
6 court.
- 7 6. The United States will make a motion to the sentencing court recommending that the
8 Defendant Corporation receive a three-level adjustment for acceptance of
9 responsibility unless the Defendant Corporation (a) does not make a complete factual
10 basis for the guilty plea at the time it is entered; (b) is untruthful with the Court or
11 probation officers; (c) denies involvement in the offense or provides conflicting
12 statements regarding the Defendant Corporation's involvement; (d) attempts to
13 withdraw the guilty plea; (e) engages in criminal conduct; or (f) fails to appear in
14 Court; (g) violates the conditions of the Defendant Corporation's pretrial release
15 conditions.

16 **D. Sentencing Recommendation and Information to the Court**

17 The United States agrees to stand silent as to a recommended sentence within the guideline
18 range determined by the binding offense level calculations and the Defendant Corporation's criminal
19 history. Defendant Corporation does not waive the binding nature of this plea agreement if Defendant
20 Corporation seeks a sentence outside the stipulated guideline range. If Defendant Corporation seeks
21 a sentence outside the guideline range, the United States reserves the right to oppose any such
22 requested sentence.

23 Nothing in this Agreement shall preclude the government in any way from presenting any
24 accurate information regarding any matter, including but not limited to, any sentencing matter or
25 consideration, to the sentencing court or the United States Department of Probation. And, nothing in
26 this Agreement restricts the Court's or Probation Department's access to information and records in

1 the possession of the government. Nothing in this Agreement shall limit in any way the government's
2 comments in, and responses to, any post-sentencing matter.

3 **E. Fines and Special Assessment**

4 1. The Government and Defendant Corporation agree that the court should impose a
5 \$500,000 fine upon Defendant Corporation at the time of Defendant Corporation's sentencing for its
6 conviction on Count One of the Information.

7 2. The Defendant Corporation agrees that the court may impose a fine due and payable
8 immediately upon sentencing.

9 3. The Defendant Corporation will pay the special assessment of \$100 per count of
10 conviction at the time of sentencing.

11 **F. Restitution**

12 1. Defendant Corporation agrees to make restitution in an amount of \$10,000,000 as
13 compensation for injury and damages to Kirk and Amy Henry, with \$1,000,000 due immediately
14 upon the entry of Defendant Corporation's plea and the remainder due and to be paid from the
15 proceeds of the sale of THE CRAZY HORSE TOO at the time of the closing of its sale. Defendant
16 Corporation understands that any restitution imposed by the Court may not be discharged in whole
17 or in part in any present or future bankruptcy proceeding. The parties agree that this payment to the
18 Henrys is made as a remedial measure to compensate the Henrys and does not constitute a fine or
19 similar penalty.

20 2. Defendant Corporation agrees to make restitution in an amount of \$1,734,000 to the Internal
21 Revenue Service (IRS). All matters related to Defendant Corporation's \$1,734,000 restitution to the
22 IRS shall be governed by the Closing Agreement between the Defendant Corporation and the IRS.
23 This Plea Agreement is contingent on Defendant Corporation and the IRS entering a Closing
24 Agreement. Upon entry of the said Closing Agreement, the agreement shall be attached to this Plea
25 Agreement and incorporated herein by reference. This restitution amount is a restatement of the same
26 restitution amount for which FREDERICK RIZZOLO is required to make to the Internal Revenue

1 Service pursuant to his separate plea agreement. Defendant Corporation agrees that it is jointly and
2 severably liable for this restitution. Defendant Corporation understands that any restitution imposed
3 by the Court may not be discharged in whole or in part in any present or future bankruptcy proceeding.
4

5 **G. Forfeiture**

6 1. Defendant Corporation agrees to forfeit to the United States of America voluntarily
7 and immediately all of its rights to, title in, and interest in the \$4,250,000.00 from the proceeds of the
8 sale of THE CRAZY HORSE TOO pursuant to Title 18, United States Code, Section 1963(a)(1), (2),
9 and (3), as set forth in Forfeiture Allegation One of the Information. Defendant Corporation agrees
10 the \$4,250,000.00: (1) is property defendant acquired or maintained in violation of Title 18, United
11 States Code, Section 1962; (2) is an interest in, security of, claim against, or property or contractual
12 right of any kind affording a source of influence over an enterprise which the defendant established,
13 operated, controlled, conducted, or participated in violation of Title 18, United States Code, Section
14 1962; and (3) is property constituting, or derived from, any proceeds which the defendant obtained,
15 directly or indirectly, from racketeering activity or unlawful debt collection in violation of Title 18,
16 United States Code, Section 1962.

17 2. Defendant Corporation knowingly and voluntarily waives its right to a jury trial on the
18 forfeiture of the \$4,250,000.00. Defendant Corporation knowingly and voluntarily waives all
19 constitutional, legal, and equitable defenses to the forfeiture of the \$4,250,000.00 in any
20 administrative, criminal, or civil proceedings. Defendant Corporation knowingly and voluntarily
21 waives the statute of limitations and the CAFRA requirements in any administrative, criminal, or civil
22 proceedings regarding the \$4,250,000.00. Defendant Corporation agrees to waive any jeopardy
23 defense or claim of double jeopardy, whether constitutional or statutory, and agrees to waive any claim
24 or defense under the Eighth Amendment to the United States Constitution, including any claim of
25 excessive fine, to the forfeiture of \$4,250,000.00 by the United States of America.

26

1 3. Defendant Corporation agrees that the forfeiture as set forth in this agreement shall not
2 be deemed or treated as satisfaction of any fine, restitution, cost of imprisonment, or any other penalty
3 this Court may impose upon the Defendant Corporation in addition to forfeiture.

4 4. Defendant Corporation voluntarily agrees to assert no claim and file no pleading in any
5 administrative, civil or criminal judicial proceedings concerning the \$4,250,000.00 and waives any
6 and all requirements concerning notice of such proceedings, including service of process. Defendant
7 Corporation voluntarily agrees to withdraw any claim or pleading in any administrative, civil or
8 criminal judicial proceeding concerning \$4,250,000.00.

9 H. Waiver of Appeal

10 In exchange for the concessions made by the United States in this plea agreement, the
11 Defendant Corporation knowingly and expressly waives the right to appeal any sentence that is
12 imposed within or below the applicable Sentencing Guideline range as determined by the Court,
13 further waives the right to appeal the manner in which that sentence was determined on the grounds
14 set forth in Title 18, United States Code, Section 3742, and further waives the right to appeal any other
15 aspect of the conviction or sentence, including any order of restitution. Defendant Corporation
16 reserves only the right to appeal any portion of the sentence that is higher than the sentencing guideline
17 range determined by the Court. The Defendant Corporation also agrees to waive any right to bring
18 any collateral attack against his conviction or sentence, except for a claim of ineffective assistance of
19 counsel. This agreement does not affect the rights or obligations of the United States as set forth in
20 Title 18, United States Code, Section 3742(b); and therefore the government retains all its appeal
21 rights.

22 I. Additional Promises, Agreements, and Conditions

23 1. Defendant Corporation, THE POWER COMPANY, INC., within 12 months from the
24 entry of its plea shall sell THE CRAZY HORSE TOO. If upon the expiration of the 12-month
25 period for selling THE CRAZY HORSE TOO, Defendant Corporation has signed in good faith a
26

1 sales contract for THE CRAZY HORSE TOO, Defendant Corporation may have up to sixty days
2 grace period to close the sale of THE CRAZY HORSE TOO. However, Defendant Corporation
3 will be obligated to pay Nevada statutory interest on any unpaid restitution or forfeiture amounts
4 beginning 12 months from the entry of the Defendant Corporation's plea to the time of closing.
5 Defendant Corporation will be obligated to pay federal statutory interest on any unpaid amount of
6 the \$1,734,000 restitution to the IRS from the date of the assessment of the tax amount pursuant to
7 the Closing Agreement between the Defendant Corporation and the IRS. Defendant is entitled,
8 but not required, to make payments toward restitution and forfeiture at any time prior to the
9 closing of the sale of the Crazy Horse Too. After ensuring that management fees and other lawful
10 operating expenses and obligations of the Crazy Horse Too are paid in a regular and customary
11 manner from revenue of the business, the Government's interest in the net proceeds from regular
12 business operations of the Crazy Horse Too is limited to the interest accrued pursuant to this
13 provision. Said interest shall be due and paid by Defendant Corporation from the sale proceeds at
14 the time of closing.

17
18 2. If at the end of the 12-month period for selling of THE CRAZY HORSE TOO,
19 Defendant Corporation has not sold THE CRAZY HORSE TOO or does not have a pending sale
20 of THE CRAZY HORSE TOO, the Government and defendant, through their counsel, will confer
21 in a good faith effort to determine and agree on a third party manager/seller of the Crazy Horse
22 Too. If the parties are unable to reach an agreement as to an appropriate manager/seller, then
23 either or both parties may apply to the Court for a determination of the manager/seller. The third
24 party manager/seller shall be a licensed, nationally recognized management/commercial sales firm.
25 The manager/seller will be responsible to: 1) lawfully operate the Crazy Horse Too during the time

1 the business is being sold in such manner the manager/seller deems appropriate to best maintain or
2 enhance the value of the Crazy Horse Too and the profitability of its ongoing operations; and 2) to
3 sell the club in as reasonable time as possible and in a manner the manager/seller believes is best
4 designed to maximize or to obtain the fair market value of the the Crazy Horse Too at the time it is
5 sold. If either party believes that the manager/seller is not properly operating the Crazy Horse Too
6 or the terms of the sale of the Crazy Horse Too are not reasonable or the sale price is not
7 reasonably within the parameters of fair market value at the time of sale, the party can ask the
8 Court to disapprove the sale.

9
10 3. The Government shall have the right to disapprove a Buyer of THE CRAZY HORSE
11 TOO who the Government objectively demonstrates is a close relative or ongoing business partner
12 of FREDERICK RIZZOLO, is a multiple felon or a felon within the last ten years, or has business
13 dealings with identified members and associates of the La Cosa Nostra (LCN) or other identified
14 organized crime group or has been convicted of a crime with identified members and associates of
15 the LCN or other identified organized crime group.

16
17 4. During the 12 month period of sale, Defendant Corporation will make available to such
18 individuals as the Government directs the accounting books and records of THE CRAZY HORSE
19 TOO for the purpose of ensuring the lawful operation of the business. The Government may
20 request Defendant Corporation to make changes in its accounting policies and procedures and its
21 other operating policies to ensure appropriate compliance with state and federal tax and criminal
22 laws and to insure the safety of patrons and employees of THE CRAZY HORSE TOO. If
23 Defendant Corporation refuses to institute any requested policy or procedure changes, the
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1 Government may petition the Court for additional conditions of supervised release for the purpose
2 of instituting such policies and procedures.
3

4 5. Pursuant to the Defendant Corporation's obligation to make restitution as compensation
5 for injury and damages to Kirk and Amy Henry in the aggregate amount of Ten Million Dollars
6 (\$10,000,000) upon the sale of THE CRAZY HORSE TOO Gentleman's Club, said funds will be
7 deposited with the Clerk of the Court in an interest bearing account. Thereafter, the Clerk of the
8 Court, upon receipt of proper notice from Kirk and Amy Henry, will transfer said funds to a
9 designated Title 26, United States Code, Section 468B Qualified Settlement Trust Fund to permit
10 the funding of structured annuities established for the benefit of Kirk and Amy Henry. In
11 conjunction thereto, Defendant Corporation, THE POWER COMPANY, INC., agrees to execute
12 any and all written instruments necessary to effectuate the intent and purpose of the transfer of
13 funds pursuant to this section.
14

15 6. In exchange for the United States entering into this agreement, the Defendant
16 Corporation agrees that (a) the facts set forth in Section IV of this Plea Agreement shall be
17 admissible against the Defendant Corporation under Fed. R. Evidence 801(d)(2)(A) in the
18 following circumstances: (1) for any purpose at sentencing; and (2) in any subsequent proceeding,
19 including a trial in the event the Defendant Corporation does not plead guilty or withdraws the
20 Defendant Corporation's guilty plea, to impeach or rebut any evidence, argument or representation
21 offered by or on the Defendant Corporation's behalf; and (b) the Defendant Corporation expressly
22 waives any and all rights under Fed. R. Criminal P. 11(f) and Fed. R. Evid. 410 with regard to the
23 facts set forth in Section IV of the Plea Agreement to the extent set forth above.
24

1 7. The parties agree that no promises, agreements, and conditions have been entered
2 into other than those set forth in this plea memorandum, and will not be entered into unless in
3 writing and signed by all parties.
4

5 J. Limitations

6 This Plea Agreement is limited to the United States Attorney's Office for the District of
7 Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory
8 authority. However, this Plea Memorandum does not prohibit the United States through any
9 agency thereof, the United States Attorney's office for the District of Nevada, or any third party
10 from initiating or prosecuting any civil proceeding directly or indirectly involving the Defendant
11 Corporation, including but not limited to, proceedings under the False Claims Act relating to
12 potential civil monetary liability or by the Internal Revenue Service relating to potential tax
13 liability.
14

16 II.

17 PENALTY

18 1. The maximum penalty for a corporation violating Title 18, United States Code,
19 Section 1962(d) is a fine of not more than \$500,000.

20 2. The Defendant Corporation is subject to supervised release for a term of at least
21 three years but not more than five years.

22 3. The Defendant Corporation must pay a special assessment of \$100 for its count of
23 conviction.
24

4. The Defendant Corporation is required to pay for the costs of probation and supervised release, unless the Defendant Corporation establishes that the Defendant Corporation does not have the ability to pay such costs, in which case the court may impose an alternative sanction such as community service.

III

ELEMENTS

Section 1962(d) of Title 18 of the United States Code provides that:

It shall be unlawful for any person to conspire to violate any of the provisions of subsections (a), (b), or (c) of this Section."

Section 1962(c) of Title 18, United States Code provides, in part, that:

It shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity

In order to sustain its burden of proof for the crime of conspiring to participate in the affairs of an interstate enterprise through a pattern of racketeering activity as charged in Count Two of the Indictment, the government at trial would have to prove the following four essential elements beyond a reasonable doubt:

First, a conspiracy or agreement, as detailed in the information, existed between two or more persons to participate through a pattern of racketeering activity in the affairs an enterprise consisting of a group of individuals associated in fact:

1 Second, the defendant deliberately joined or became a member of the conspiracy or
2 agreement with knowledge of its purpose;

3
4 Third, the defendant agreed that someone, not necessarily the defendant, would commit at
5 least two racketeering acts; and

6 Fourth, the enterprise engaged in or its activities in some way affected commerce between
7 two or more states.

8
9 IV.

10 FACTS THAT SUPPORT GUILTY PLEA

11 1. The Defendant Corporation is pleading guilty because the Defendant Corporation is
12 guilty of the offense charged in Count One of the Information.

13 2. In pleading to that offense, the Defendant Corporation acknowledges that if the
14 Defendant Corporation elected to go to trial instead of entering this plea, the United States could
15 prove facts sufficient to establish beyond a reasonable doubt that the Defendant Corporation is
16 guilty of the offense charged in Count One of the Information.

17 3. The Defendant Corporation specifically admits and declares under penalty of
18 perjury that all of the facts set forth below are true and correct:

19 4. At all times material to this Agreement, the Defendant Corporation, THE POWER
20 COMPANY, INC., doing business as THE CRAZY HORSE TOO (hereinafter sometimes referred
21 to as THE CRAZY HORSE TOO), ROBERT D'APICE, and other individuals constituted a
22 racketeering enterprise (hereinafter "the enterprise") as defined by Title 18, United States Code,
23
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1 Section 1961(4), to wit: a group of individuals associated in fact, which enterprise was engaged in
2 and the activities of which affected interstate and foreign commerce.
3

4 5. At all times material to this agreement, Defendant Corporation, THE POWER
COMPANY, INC., owned and operated a business known as THE CRAZY HORSE TOO in Las
5 Vegas, Nevada. At all times material to this agreement, and continuing to the date of this
6 agreement, defendant ROBERT D'APICE, was a shift manager at the business operation of
7 Defendant Corporation, THE POWER COMPANY, INC., doing business as THE CRAZY
8 HORSE TOO.
9

10 11 6. At all times material to this agreement, THE CRAZY HORSE TOO in Las Vegas,
Nevada, was commonly known as a "gentlemen's club" or "strip club." The terms "gentlemen's
12 club" and "strip club" generally refer to business establishments in which women dance semi-nude
13 as entertainment for the establishments' patrons. THE CRAZY HORSE TOO provided
14 entertainment to large numbers of tourists traveling from outside the State of Nevada into the State
15 of Nevada.
16

17 18 7. During the period from 2000 to 2003, the Defendant Corporation conspired and
agreed with ROBERT D'APICE, and other individuals to conduct or participate, directly or
19 indirectly, in the conduct of the enterprise's affairs through a pattern of racketeering activity, to
20 wit: acts of extortion and threats indictable under Title 18, United States Code, Sections 1951 and
21 1952, and Nevada Revised Statutes, Sections 205.320, 193.330, and 195.020; acts of access
22 device fraud and wire fraud indictable under Title 18, United States Code, Sections 1029 and
23 1343; and acts of mail fraud and wire fraud indictable under Title 18, United States Code, Sections
24 1341 and 1343. It was a further part of the conspiracy that each defendant agreed that a
25
26

1 conspirator would commit at least two acts of racketeering activity in the conduct of the affairs of
2 the enterprise.

3 8. At all times material to this agreement, dancers generally collected payments from
4 patrons of THE CRAZY HORSE TOO for dances or other services the dancers provided. If a
5 patron refused to pay a dancer, or if a patron disputed the charges claimed by a dancer, the dancer
6 typically followed the procedure of initially contacting the shift manager, or other male employees
7 at THE CRAZY HORSE TOO. As part of and in furtherance of the conspiracy, the shift manager
8 or other male employees, during the course of the conspiracy and acting within the scope of their
9 employment at THE CRAZY HORSE TOO, on one or more occasions (depending in part on the
10 patron and other circumstances) sought to extort payment from patrons through explicit or implicit
11 threats of violence, or through actual use of force and physical violence against patrons to force the
12 patron to pay the disputed payment. In carrying out this purpose of the enterprise, managers and
13 employees of THE CRAZY HORSE TOO, engaged in acts and threats involving extortion in
14 violation of state law, with intent to extort or gain any money or other property and did threaten
15 directly and indirectly to do an injury to any person or to any property, in violation of Nevada
16 Revised Statutes, Sections 205.320, 193.330, and 195.020. Managers and employees of THE
17 CRAZY HORSE TOO also interfered with commerce by threats and violence, and conspired to
18 commit this offense, indictable under Title 18, United States Code, Section 1951 and used
19 interstate facilities in furtherance of unlawful activity, to wit: extortion in violation of the laws of
20 the State of Nevada, indictable under Title 18, United States Code, Section 1952.

21 25 9. At all times material to this agreement, dancers on one or more occasions sought to
22 defraud customers of THE CRAZY HORSE TOO by overcharging the customers for dances or
23

1 other services provided or by causing charges on a customer's credit card in excess of the dances
2 or other services provided. If a patron refused to pay a dancer, or if a patron disputed the charges
3 claimed by a dancer, dancers contacted the shift manager, or other male employees at THE
4 CRAZY HORSE TOO. As part of and in furtherance of the conspiracy, the shift managers or
5 other male employees, during the course of the conspiracy and acting within the scope of their
6 employment at THE CRAZY HORSE TOO, on one or more occasions (depending on the patron
7 and other circumstances) assisted the dancers in the commission of the fraud by extorting payment
8 from patrons through explicit or implicit threats of violence, or through actual use of force and
9 physical violence against patrons to force the patron to pay the disputed payment. In carrying
10 out this purpose, managers and employees of THE CRAZY HORSE TOO used or caused to be
11 used interstate wire communications facilities in furtherance of a scheme to defraud, including
12 schemes involving the overcharging of customers for services dancers did not provide or
13 misrepresented were provided in violation of Title 18, United States Code, 18 U.S.C. Section 1343,
14 and fraudulently effected transactions involving the use of unauthorized access devices, indictable
15 under Title 18, United States Code, Section 1029.
16

17 10. As part of and in furtherance of the conspiracy, Defendant Corporation, THE
18 POWER COMPANY, INC, doing business as THE CRAZY HORSE TOO, did not report or
19 maintain records of the money received from the dancers. The management of THE CRAZY
20 HORSE TOO used this unreported cash income from the business to supplement the wages of
21 certain employees. More particularly, at the end of each shift, the shift managers of THE CRAZY
22 HORSE TOO divided the aggregate sum collected from the dancers into portions or shares that
23 were then distributed among certain of THE CRAZY HORSE TOO's male employees. The club's
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1 floormen, bouncers, bartenders, and the shift managers themselves all received a share of the
2 currency collected from the dancers. As a result of the procedures of THE CRAZY HORSE TOO
3 persons receiving the cash salary payments generally under-reported amounts received to THE
4 CRAZY HORSE TOO's bookkeeping staff. By failing to report or record the cash payments to
5 the club's employees, the owners of THE CRAZY HORSE TOO and certain of the participating
6 employees did not accurately report the income of THE POWER COMPANY, INC., doing
7 business as, THE CRAZY HORSE TOO, or the income of the owners, managers, and employees
8 of THE CRAZY HORSE TOO to the Nevada Employment Security Division, and to industrial
9 (workman's compensation) insurance providers. In carrying out this purpose, THE CRAZY
10 HORSE TOO used or caused to be used the mails and private or commercial interstate carriers in
11 furtherance of schemes to defraud, including schemes involving unauthorized use of access
12 devices and failure to accurately report and pay unemployment taxes and industrial (workman's
13 compensation) insurance premiums in violation of Title 18, United States Code, 18 U.S.C. Section
14 1341, and used or caused to be used interstate wire communications facilities in furtherance of a
15 scheme to defraud, including schemes involving unauthorized use of access devices and failure to
16 accurately report and pay unemployment taxes and industrial (workman's compensation) insurance
17 premiums in violation of Title 18, United States Code, 18 U.S.C. Section 1343.

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22 V.
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26 ACKNOWLEDGMENT

1. The Defendant Corporation, acknowledges by its Authorized Representative's signature
below that the Defendant Corporation's Authorized Representatives have read this Memorandum of
Plea Agreement, that the Defendant Corporation's Authorized Representatives understands the terms
and conditions, and the factual basis set forth herein, that the Defendant Corporation's Authorized

1 Representatives have discussed these matters with the Defendant Corporation's attorney, and that the
2 matters set forth in this memorandum, including the facts set forth in Part IV above are true and
3 correct.
4

5 2. The Defendant Corporation acknowledges that the Defendant Corporation has been
6 advised, and understands, that by the Defendant Corporation's Authorized Representatives entering
7 a plea of guilty the Defendant Corporation is waiving, that is, giving up, certain rights guaranteed to
8 the Defendant Corporation by law and by the Constitution of the United States. Specifically, the
9 Defendant Corporation is giving up:
10

11 a. The right to proceed to trial by jury on the original charges, or to a trial by a
12 judge if the Defendant Corporation and the United States both agree;

13 b. The right to confront the witnesses against the Defendant Corporation at such
14 a trial, and to cross-examine them;

15 c. The right of the Defendant Corporation's agents to remain silent at such trial,
16 with such silence not to be used against the Defendant Corporation in any way;

17 d. The right, should the Defendant Corporation's agents so choose, to testify in
18 the Defendant Corporation's own behalf at such a trial;

19 e. The right to compel witnesses to appear at such a trial, and to testify in the
20 Defendant Corporation's behalf; and,

21 f. The right to have the assistance of an attorney at all stages of such proceedings.

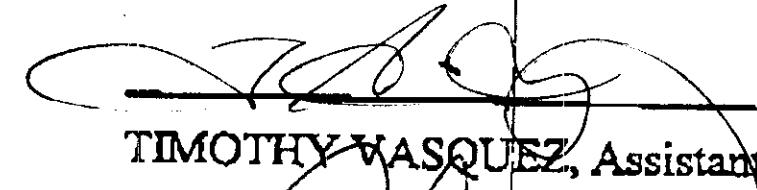
22 3. The Defendant Corporation, the Defendant Corporation's attorney, and the attorney for
23 the United States acknowledge that this Plea Memorandum contains the entire agreement negotiated

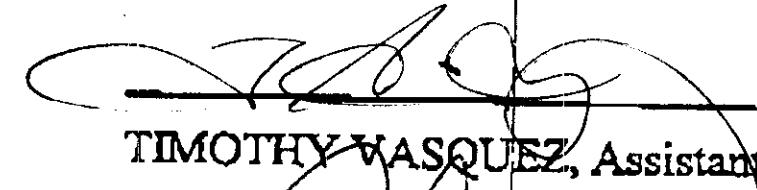
1 and agreed to by and between the parties, and that no other promise has been made or implied either
2 by the Defendant Corporation, its attorney, or the attorney for the United States.
3

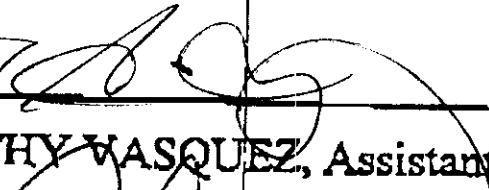
4 DANIEL G. BOGDEN

5 United States Attorney

6 
7 ERIC JOHNSON, Chief, Organized Crime Strike Force

8 
9 TIMOTHY WASQUEZ, Assistant U.S. Attorney

10 
11 FREDERICK RIZZO, on behalf of the Defendant
12 Corporation, THE POWER COMPANY, INC.

13 
14 ANTHONY SGRO, Counsel for Defendant Corporation

15 Anthony
16 Sgro

17 DATED

18 6/1/06

19 DATED

20 5/16/06

21 DATED

22 5/16/06

23 DATED

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Form 906

Department of the Treasury – Internal Revenue Service

Closing Agreement On Final Determination Covering Specific Matters

Under section 7121 of the Internal Revenue Code, Power Company, Inc. (EIN: 88-0115792), of 2476 Industrial Road, Las Vegas, Nevada 89102, and Rick J. Rizzolo, (SSN: 548-25-3498), of 8632 Canyon View Drive, Las Vegas, Nevada, 89117, and the Commissioner of Internal Revenue make the following closing agreement:

WHEREAS, Power Company, Inc. is a Nevada corporation recognized as a Small Business Corporation under Subchapter S, Section 1361 of the Internal Revenue Code; and

WHEREAS, Rick J. Rizzolo is the president and 90% shareholder of Power Company, Inc.; and

WHEREAS, a dispute has arisen as to whether Power Company, Inc. and/or Rick J. Rizzolo may be liable, under Section 6672 of the Internal Revenue Code, for failure to collect, account for, and pay over F.I.C.A. and Federal Income Tax withholding on tips earned by employees of Power Company, Inc. for the period beginning January 1, 2000, and ending December 31, 2002; and

WHEREAS, a dispute has arisen as to whether Power Company, Inc. and/or Rick J. Rizzolo may be liable, under Section 3121(q) of the Internal Revenue Code, for the employer's share of F.I.C.A. taxes on tips earned by employees of Power Company, Inc. for the period beginning January 1 2000, and ending December 31, 2002; and

WHEREAS, the parties also wish to determine with finality, the prospective tax treatment of a court issued restitution order that obligates Power Company, Inc. to pay to Mr. Kirk Henry the amount of \$10,000,000.; and

WHEREAS, the parties have reached a resolution of these disputes and wish to determine with finality any and all tax consequences and liabilities of Power Company, Inc. and Rick J. Rizzolo for all tax periods ending on or before December 31, 2005, inclusive.

Closing Agreement on Final Determination Covering Specific Matters with
Power Company, Inc. (EIN: 88-0115792) and Rick J. Rizzolo (SSN: 548-25-3498)

NOW IT IS HEREBY DETERMINED AND AGREED as follows:

1. Power Company, Inc. and Rick J. Rizzolo are jointly and severally liable, under Section 6672 of the Internal Revenue Code, for failure to collect, account for, and pay over F.I.C.A. withholding and Federal Income Tax withholding on tips earned by employees of Power Company, Inc. The total aggregate liability under Section 6672 of the Internal Revenue Code, for the taxable periods beginning January 1, 2000, and ending December 31, 2002, is \$1,320,000. The parties agree that the aggregate liability of \$1,320,000 shall be assessed against Power Company, Inc. and Rick J. Rizzolo, as responsible parties, for the taxable quarter ended December 31, 2002, notwithstanding any statute of limitations that may otherwise apply. Power Company, Inc. and Rick J. Rizzolo agree to pay the \$1,320,000 promptly upon proper notice and demand. It is further determined that the \$1,320,000 shall not produce an allowable deduction for Federal Income Tax purposes in any tax year for Power Company, Inc. or Rick J. Rizzolo.
2. Power Company, Inc. and Rick J. Rizzolo are jointly and severally liable, under Section 3121(q) of the Internal Revenue Code, for the employer's F.I.C.A tax liability on tips earned by employees of Power Company, Inc. in the aggregate amount of \$414,000, for the taxable periods beginning January 1, 2000, and ending December 31, 2002. The \$414,000 represents the total liability under Section 3121(q) of the Internal Revenue Code and the parties agree that the aggregate liability of \$414,000 shall be assessed against Power Company, Inc. for the taxable quarter ended December 31, 2002, notwithstanding any statute of limitations that may otherwise apply. Power Company, Inc. and Rick J. Rizzolo agree to pay the \$414,000 promptly upon proper notice and demand. It is further determined that the \$414,000 shall be allowed as deduction by Power Company, Inc. for Federal Income Tax purposes, under Section 162 of the Internal Revenue Code, in the tax year such liability is actually paid.
3. Power Company, Inc. shall be allowed a Federal Income Tax deduction, under Section 162 of the Internal Revenue Code, for the \$10,000,000 payable to Kirk Henry pursuant to the court issued restitution order obligating Power Company, Inc. to make such payment(s). Such deduction(s) shall be allowed in the taxable year such payment(s) are actually made, subject to all applicable statutes in effect for the year of payment.
4. The Internal Revenue Service hereby agrees that, except for the specific liabilities enumerated above, it will not assert or assess any additional Federal income tax liabilities or employment tax liabilities, including any civil penalties, of any kind against Power Company, Inc. and / or Rick J. Rizzolo, in any capacity, for any taxable period ending on or before December 31, 2005.
5. This agreement shall not limit the authority of Power Company, Inc. and / or Rick J. Rizzolo to file amended returns for any tax period to carryback any net operating losses or tax credits arising from any tax years beginning on or after January 1, 2006.

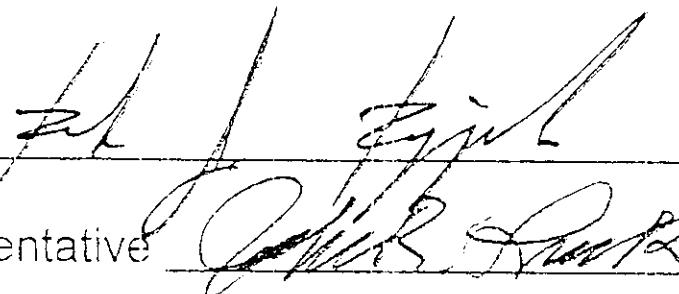
Closing Agreement on Final Determination Covering Specific Matters with
Power Company, Inc. (EIN: 88-0115792) and Rick J. Rizzolo (SSN: 548-25-3498)

This agreement is final and conclusive except:

1. The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of a material fact
2. it is subject to the Internal Revenue Code sections that expressly provide that effect be given to their provisions (including any stated exceptions for Code section 7122) notwithstanding any other law or rule of law to the contrary; and
3. if it relates to a tax period ending after the date of this agreement, it is subject to any law, enacted after the date of this agreement, that applies to that tax period.

By signing, the above parties certify that they have read and agreed to the terms of this document.

Rick J. Rizzolo



Date: 6-1-06

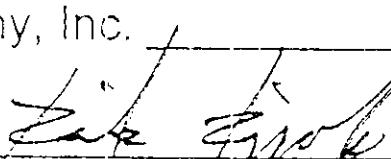
Taxpayer's Representative



Date: 6/1/06

Power Company, Inc.

By:



Date: _____

Title:



Date: _____

Commissioner of Internal Revenue

By:



Date: _____

Title:

